

The ascending trajectory: unveiling the swift growth of the building products market in India

November 2023

“

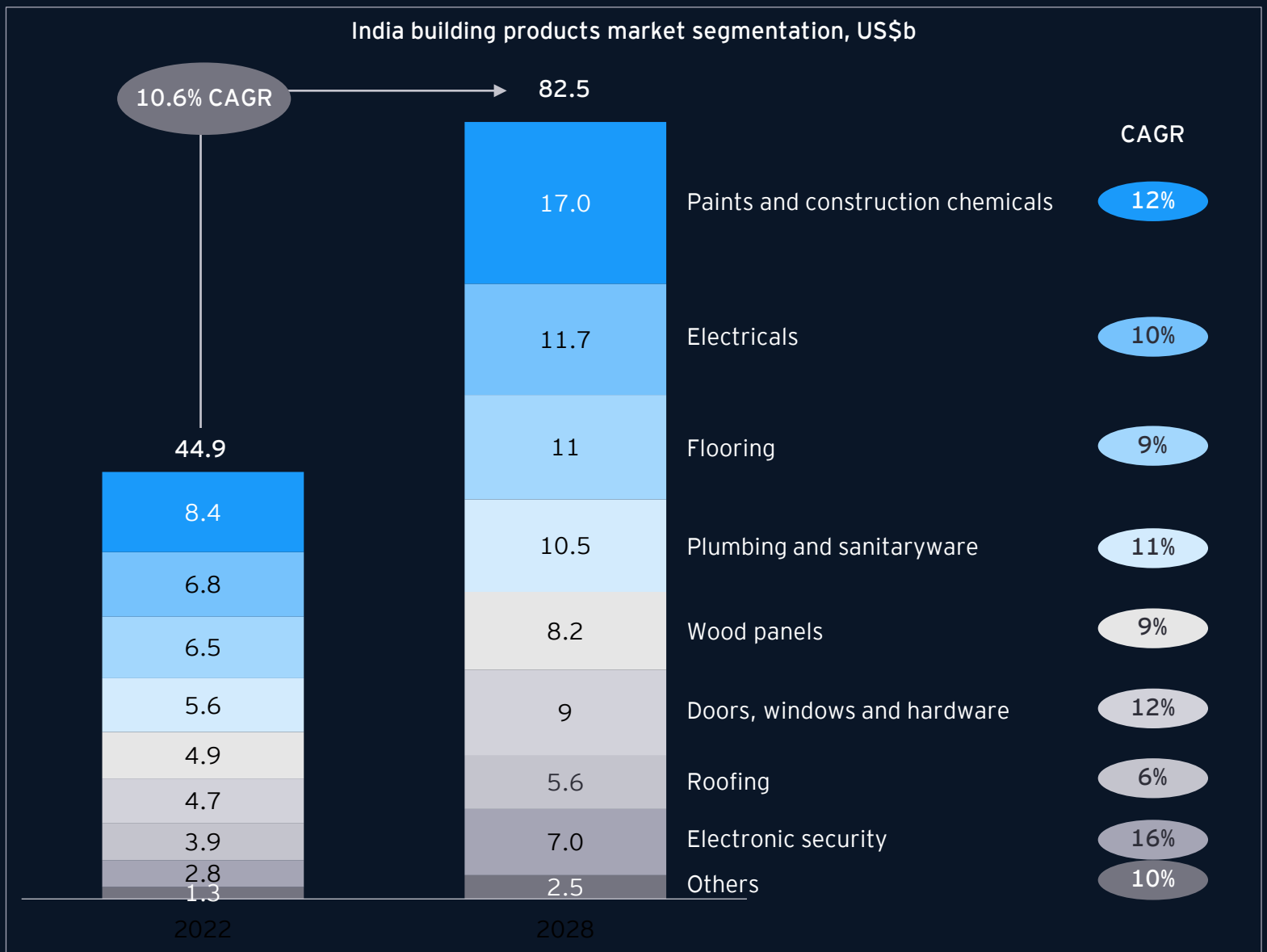
Amidst the surging demand and immense potential in India's building products market, the biggest question faced by manufacturers remains: How can we innovate and deliver superior solutions that meet the evolving needs of a rapidly transforming nation?



Ishank Kataria
Director, Strategy
EY LLP

Key trends shaping India's US\$45b building products market are rising consumer aspirations, technological advancements, supply chain disruption, and sustainable materials

The building products market in India is poised for rapid growth, fueled by factors such as infrastructural advancements, rapid urbanization, growing awareness, and technological innovations. With the government's emphasis on housing and infrastructure development, energy efficiency, and rural electrification coupled with the rising aspirations of consumers, the building products sector offers significant opportunities for domestic and international companies. By leveraging these favorable conditions, businesses can tap into this booming market and contribute to the nation's journey towards modernization and sustainable development.



Others include cladding products, structural products, mouldings or millworks etc.

Note: Materials such as cement, steel, bricks among others have been excluded from the report as they are classified as 'Construction materials' as per MSCI classification

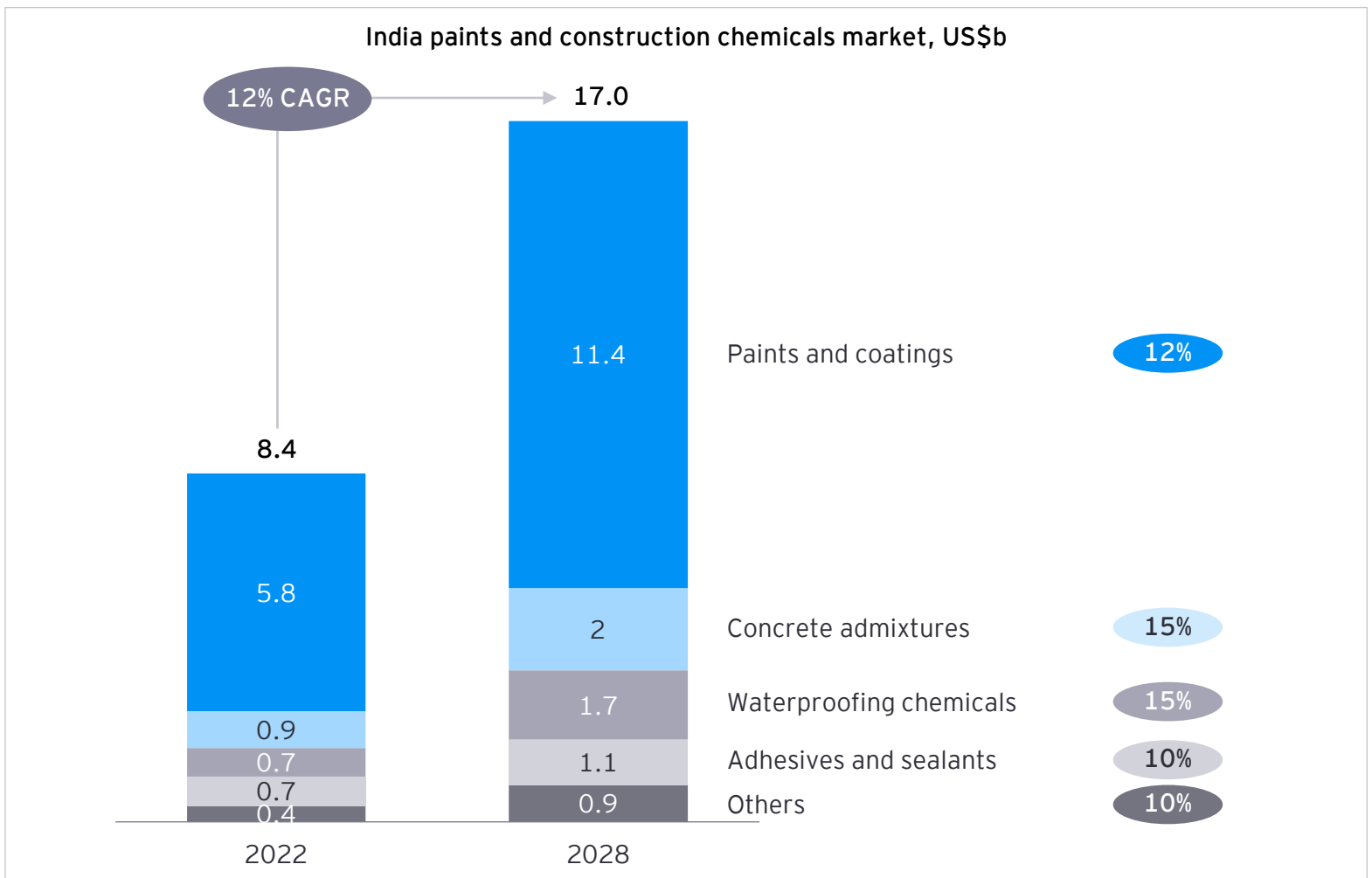
Source: Construction week online, Centrum broker reports, Company annual reports and investor presentations of HIL, Pidilite, Havells, Asian paints among others, Roof India, Capital mind and EY analysis

Builders, contractors, and architects are becoming more aware of the benefits of using paints and coatings to improve the aesthetic and functional benefits of the construction owing to stringent building codes and construction while flooring products continue to witness a rise in the adoption of design-conscious and premium products. Shorter renovation cycles and increasing demand for power transmission are contributing to the growth of the electrical segment. Moreover, disruptions driven by technology adoption and supply chain finance are shortening the lead times creating value for key industry stakeholders.



Paints and construction chemicals are expected to drive demand in the sector driven by requirement of shortened renovation cycles and preference for eco-friendly products

Increasing penetration in the rural markets and a shift in urban markets to VOC-free and water-based solutions are driving the growth in demand while innovations in admixtures, bio-based adhesives and water-repellent sealing technologies are expected to influence the market ahead.



Others include bonding agents, curing compounds, water repellents etc.

Source: HP adhesives, Equity reports by HDFC securities and ICICI securities, company annual reports Asian paints, Pidilite, Kansai Nerolac and EY analysis



Trends and drivers for paints and construction chemicals segment



Products

Paints and coatings



Growth drivers

Shortened repainting cycles from 7-8 years to 4-5 years and increased consumer focus on aesthetics



Product trends

Preference for eco-based and water-based paints and coatings over solvent-based



Key players

- ▶ Asian Paints
- ▶ Berger Paints
- ▶ Akzo Nobel

Waterproofing chemicals

Rise in demand for concrete flooring coatings for protection against moisture, abrasion, and corrosion

Increasing preference for polyurethane and poly-urea water coatings

- ▶ Pidillite
- ▶ Sika India
- ▶ Fosroc

Concrete admixtures

Reduction in construction costs by improving concrete quality and reducing material waste

Increasing use of accelerators, retarders, and corrosion inhibitors

- ▶ Pidillite
- ▶ Sika
- ▶ Mapei

Adhesives and sealants

Demand for water-based solutions driven by glass facades, sanitaryware and household repairs among others

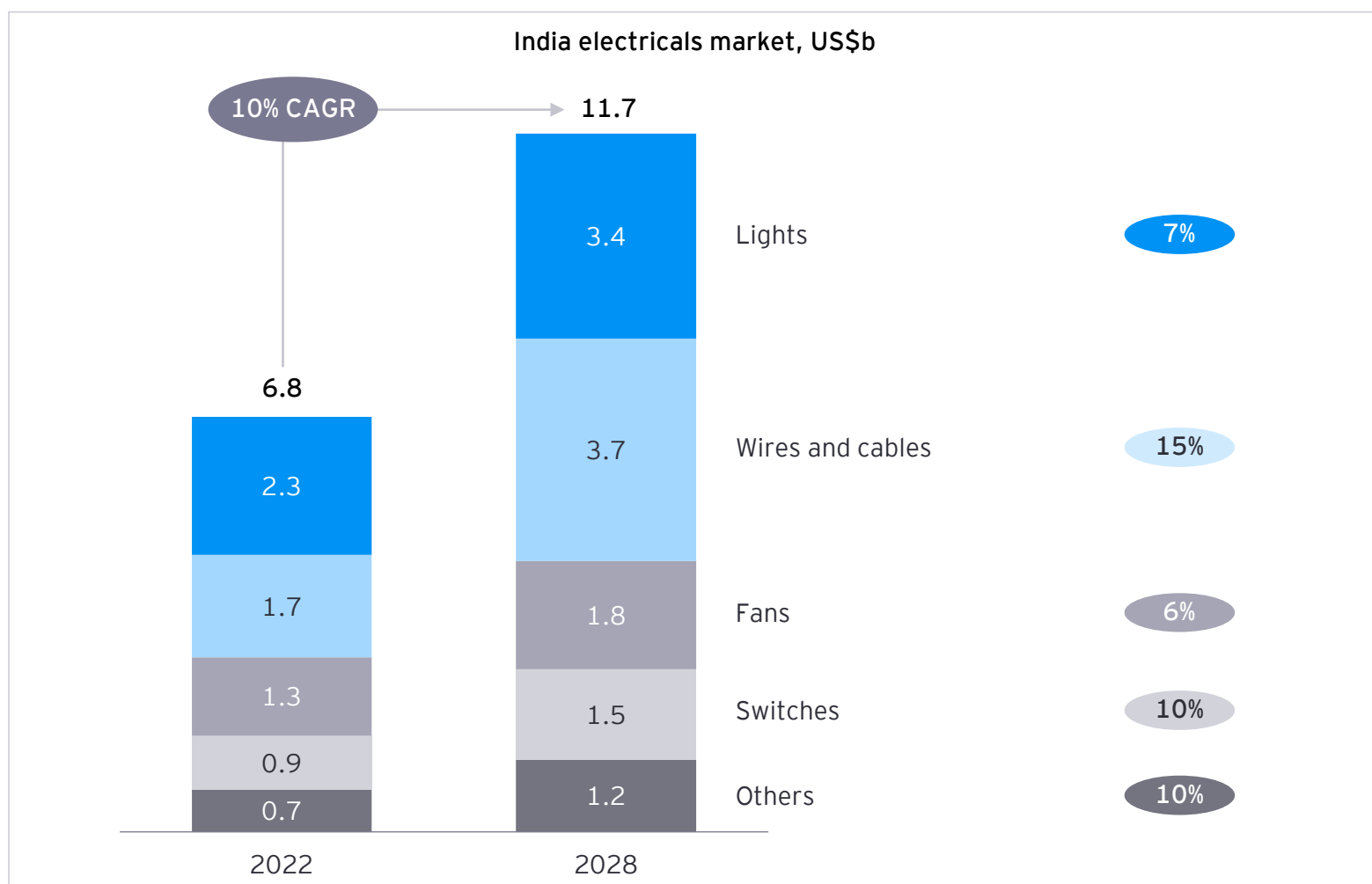
Innovative products such as bio-based adhesive and sealant technology to repel dirt and water

- ▶ Pidillite
- ▶ H.B Fuller
- ▶ Arkema Group
- ▶ Astral



Electricals is the second largest segment in the market with growth driven by government schemes, a growing push for energy efficiency and increasing access to electricity in rural areas at affordable rates





The growth drivers for electrical products in the construction segment in India are shaped by urbanization, the emphasis on energy efficiency and sustainability, government initiatives, and the modernization of electrical infrastructure. These factors create a favorable environment for the expansion of the electrical products market in the construction sector.



Others include switchgears, circuit breakers, fuse and fuse box among others

Source: Havells investor presentation, Engineeringmag, Polycab initiating coverage report and EY analysis

Trends and drivers for electrical segment

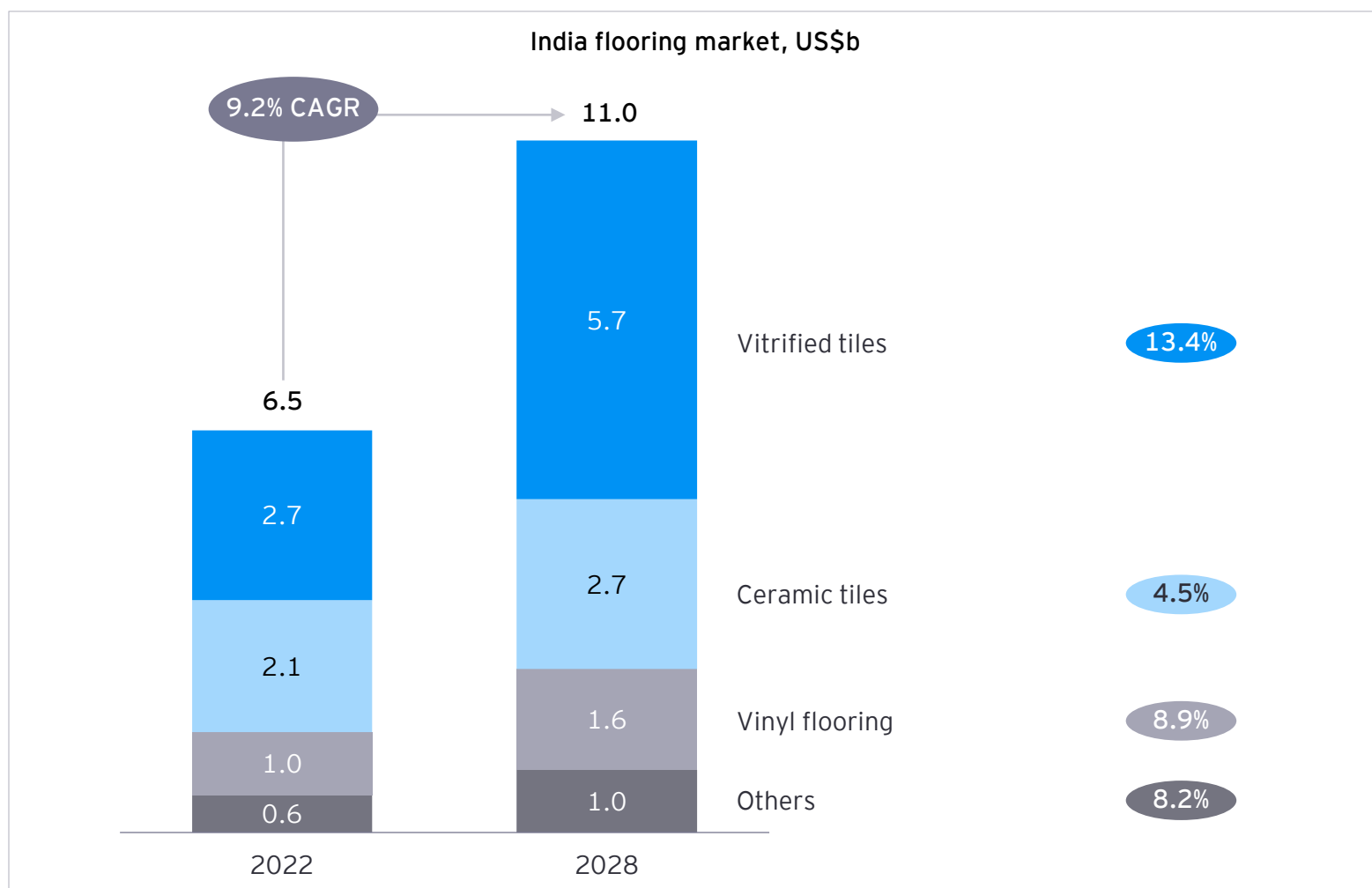
 Products	 Growth drivers	 Product trends	 Key players
Wires and cables	Government push for infrastructural development, energy efficiency, and rural electrification	Demand for high-performance cables capable of handling higher data transfer rates	<ul style="list-style-type: none"> ▶ Havells ▶ Polycab wires ▶ Finolex Cables
Lights	Electrification of rural areas, demand for LED lights, and increasing commercial infrastructure	Need for reducing energy consumption and consumer demand for uniqueness and aspirational design	<ul style="list-style-type: none"> ▶ Havells ▶ Bajaj ▶ Jaquar
Fans	Rising temperatures and environmentally conscious consumerism driving demand for energy-efficient fans	Brushless direct current technology and IoT enabled fans for cost and energy efficiency	<ul style="list-style-type: none"> ▶ Havells ▶ Usha ▶ Crompton
Switches	FMEG goods demand growth and replacements due to safety concerns and aesthetic requirement	Increasing adoption of modular switches	<ul style="list-style-type: none"> ▶ Havells ▶ Norysis ▶ Anchor by Panasonic

Source: Engineering mag, Financial express, Businessworld, Finolex cables annual report, Industry outlook and EY analysis



The flooring market in India is now witnessing the rise of an emerging design-conscious consumer who prefers premium flooring products

Most consumers are seeking low-maintenance and durable flooring options that enhance the appearance of their living spaces. As consumers become more design-conscious and seek unique flooring options, there is a preference for high-end materials such as natural stone, solid wood and imported tiles. India is a leading producer and exporter of ceramic tiles due to its low production cost and is expected to witness growth as a result of the China+1 policy.



Others include stone, marble, granite flooring, carpet and rugs (textile flooring)

Note: The wood and laminate flooring has been included in the wood panel sector

Source: ICICI direct, Kajaria analyst presentation, Capital mind, HIL annual report, and EY analysis



Trends and drivers for flooring segment



Products



Growth drivers



Product trends



Key players

Vitrified tiles

Consumer preference for lower carbon footprint, durability, shift from ceramic tiles and large format tiles

Glazed vitrified tiles (GVT) and double charge tiles, large vitrified tiles (1200x1200) are expected to continue as popular choices

- ▶ Kajaria
- ▶ Somany tiles
- ▶ Johnson tiles

Ceramic tiles

Increased government spending on low-cost housing teamed with consumer beautification trend

3D printed tiles, designer tiles, and eco-friendly tiles, providing a seamless and expensive look

- ▶ Kajaria
- ▶ Somany tiles
- ▶ Orient bell

Vinyl flooring

Demand for durable and economical flooring solution with technologically improved performance

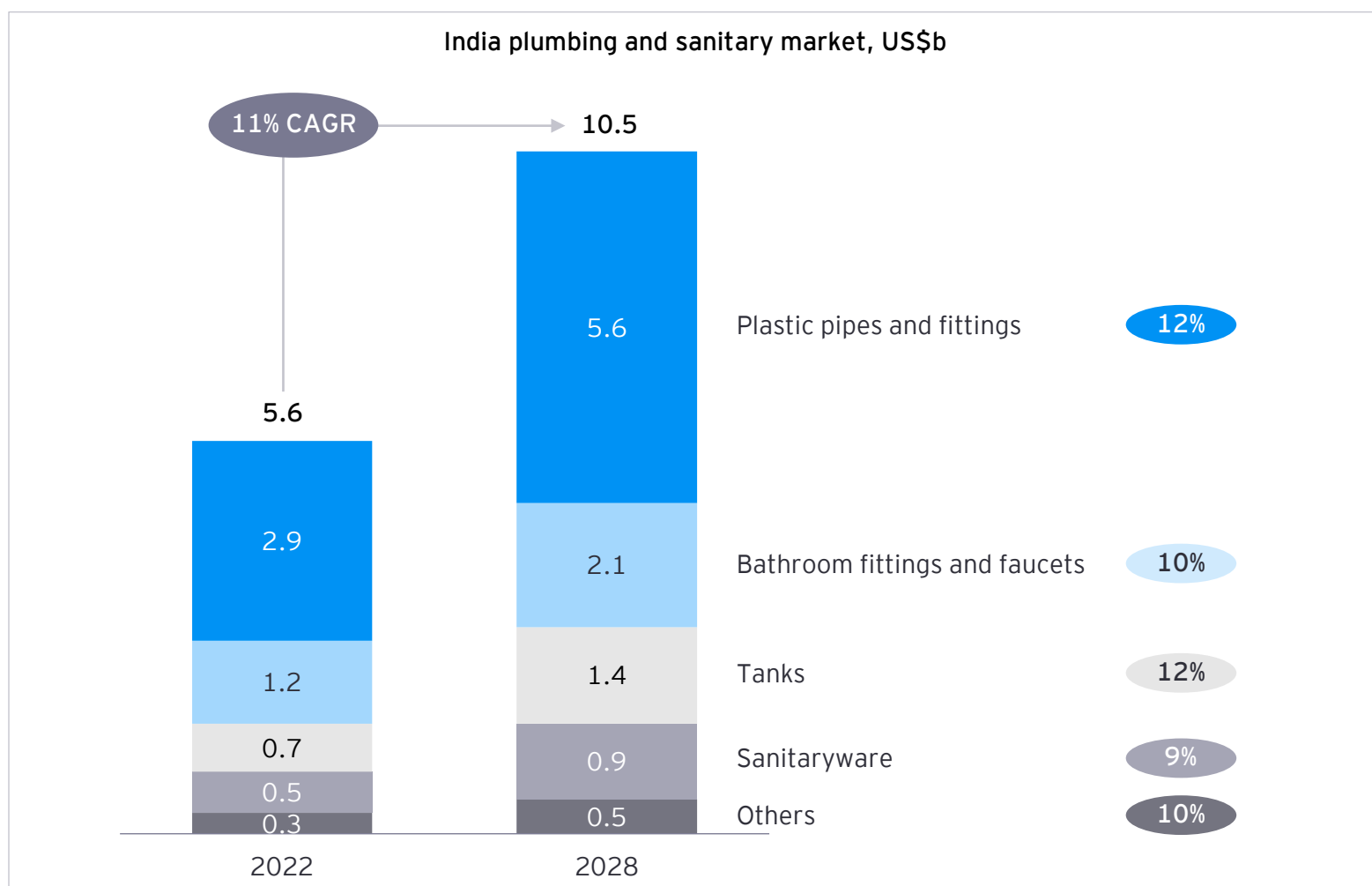
Stone plastic composite flooring is gaining traction as it is durable, waterproof and has dimensional stability

- ▶ Welspan
- ▶ RMG Polyvinyl
- ▶ Inovar Floor



Plastic pipes are expected to continue driving the growth in the plumbing and sanitary segment with increasing adoption due to the replacement of traditional metal and stone pipes as well as government schemes

Water-saving fixtures, smart plumbing solutions, multi-layer pipes, eco-friendly and sustainable products, designer sanitaryware and faucets, advanced drainage systems, and green plumbing systems are some key trends in the plumbing and sanitary market in India. These trends reflect the demand for modern and stylish solutions that conserve water, enhance hygiene, promote sustainability and offer aesthetic appeal.



Others include steel and iron pipes, concrete pipes, plumbing fixtures etc.

Source: Finolex pipes investor presentation, Cera sanitaryware initiating coverage and equity reports and EY analysis



Trends and drivers for plumbing and sanitaryware segment

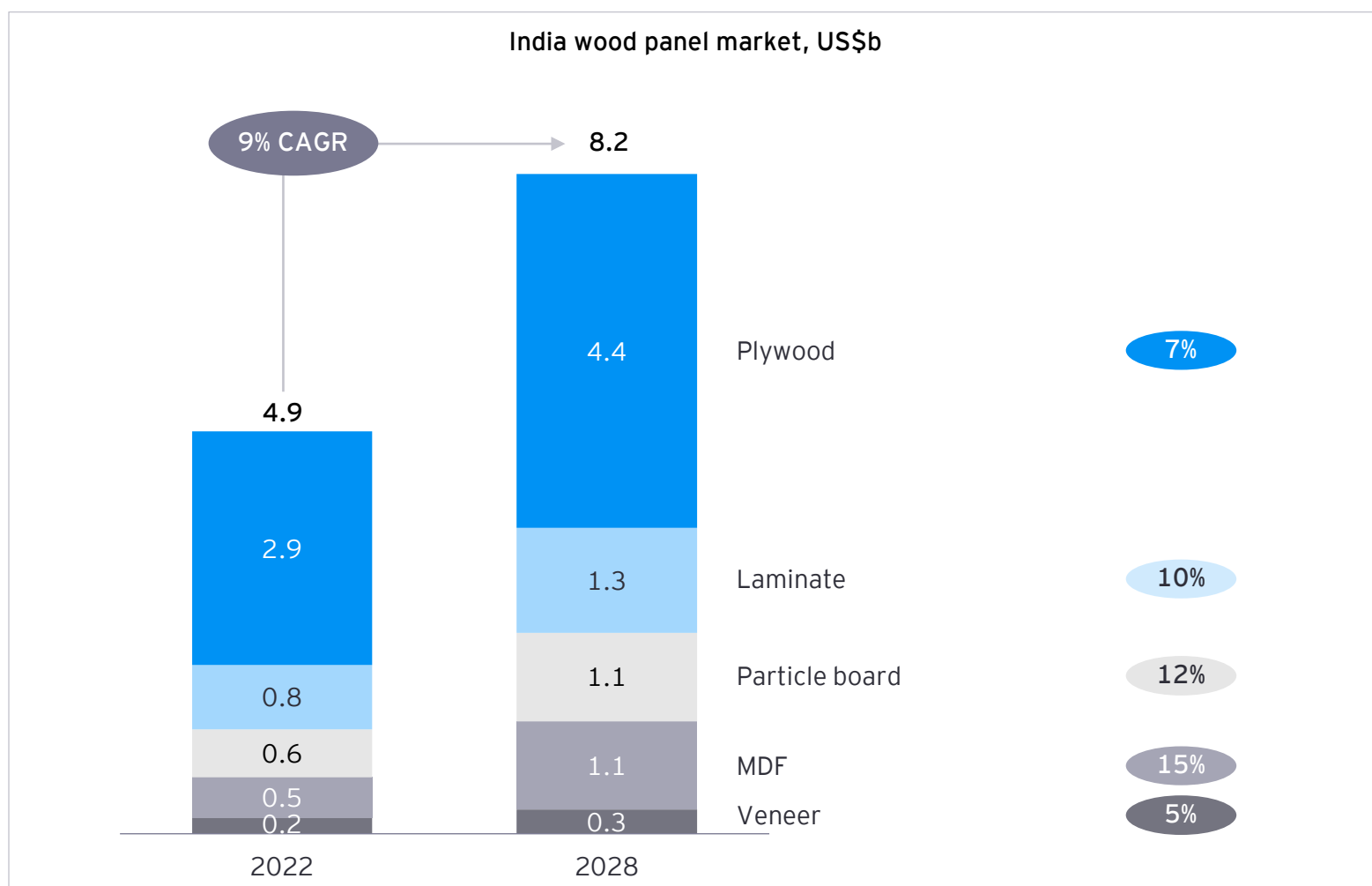
			
Products	Growth drivers	Product trends	Key players
Plastic pipes and fittings	Government efforts to provide water in rural areas and increase in substitution of metal pipes	Materials shift such as multilayer, o-PVC, and c-PVC pipes	<ul style="list-style-type: none"> ▶ Ashirvad pipes ▶ Astral Pipes ▶ Supreme Pipes
Faucet and bathroom fittings	Growing demand for premium and high-end fittings due to construction of smart and luxury housing projects	Shift towards automated bathroom accessories such as sensor tap and smart showers among others	<ul style="list-style-type: none"> ▶ Cera ▶ Hindware ▶ Jaquar
Tanks	Rising infrastructure development is driven by favorable policies and wastewater management schemes	Demand for plastic water tanks over other materials due to its lightweight and durability	<ul style="list-style-type: none"> ▶ Welspun ▶ Plasto ▶ Vectus Industries
Sanitaryware	Increased demand due to awareness about safe sanitation and complete bathroom solutions	Shift towards touchless, eco-friendly and water conservation-based solutions	<ul style="list-style-type: none"> ▶ Cera ▶ Hindware ▶ Kohler India

Source: Times of India, Construction world, CARE Ratings, Infrastructure news and EY analysis



Shift towards modern and sustainable ways of living and increasing acceptance of superior alternatives to plywood are driving the demand for wood panels

The rise in disposable income, shortening renovation cycles, preference for better design and aesthetic value, and cost-efficient laminates are contributing to the growing demand for driven by end-use demand from furniture, wall paneling, false ceiling, and flooring solutions across residential buildings, office spaces, and growing hospitality sector.



*Includes wood and laminate flooring

Source: Centuryply, Greenlam, Greenply annual report and EY analysis



Trends and drivers for wood panel segment



Products



Growth drivers



Product trends



Key players

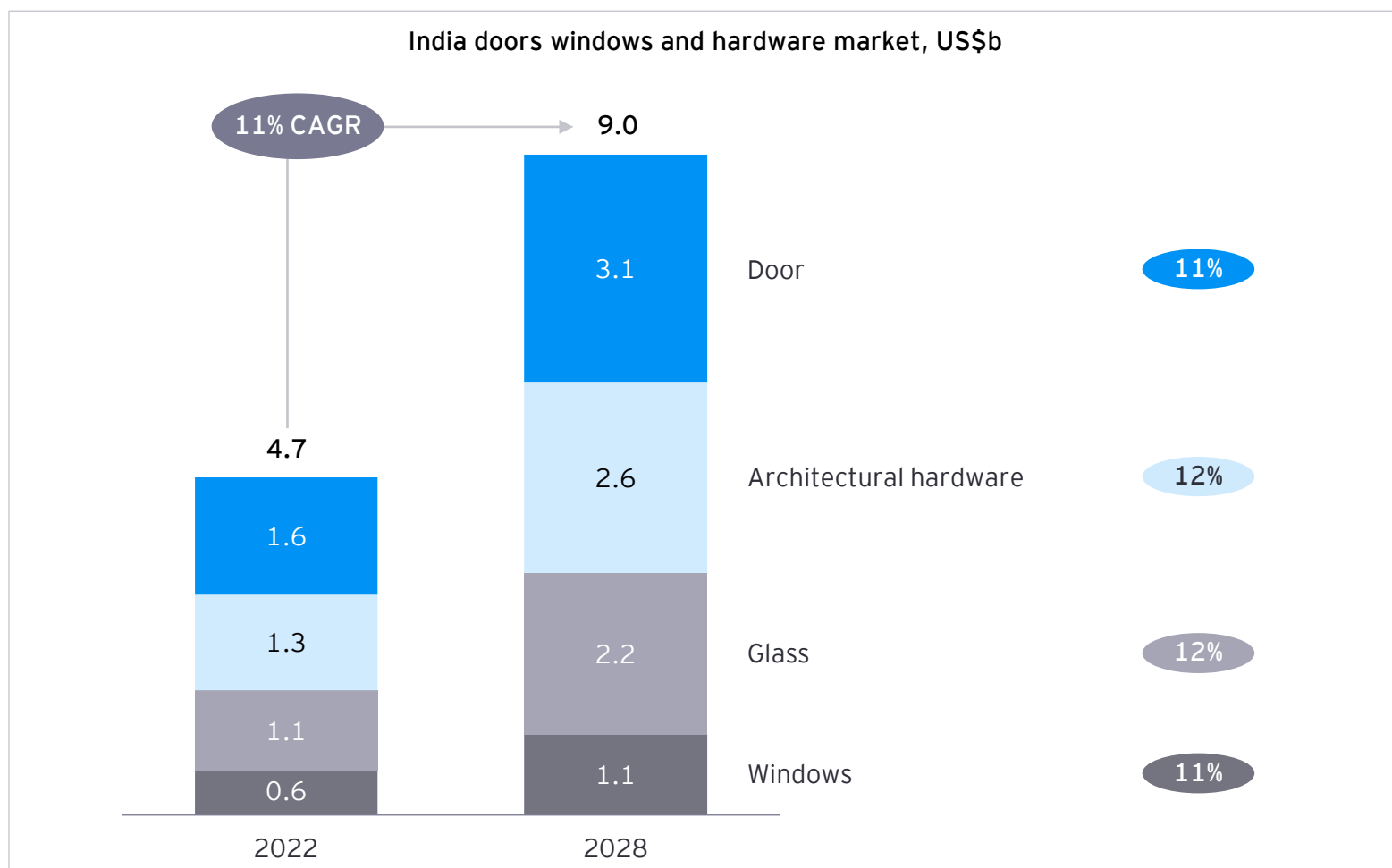
Plywood	Increasing demand for easy-to-assemble and lightweight furniture as well as non-brick partitions	Growing preference for waterproof and termite resistant plywood, fire-retardant plywood and decorative plywood	<ul style="list-style-type: none"> ▶ Greenply ▶ Century Plyboards ▶ Merino
Laminates	Demand driven by ready-to-assemble floorings and furniture surfacing solutions due to durability, cost-effectiveness, and shelf-life	Technological advancements have promoted laminates to be an eco-friendly alternative to timber	<ul style="list-style-type: none"> ▶ Greenply ▶ Century Plyboards ▶ Greenlam Industries ▶ Merino
Particle board	Demand from furniture, flooring underlayment, partitioning, and false ceilings among others will drive the growth	Fire-retardant particle boards are gaining traction, especially in commercial and public buildings where fire safety is a concern	<ul style="list-style-type: none"> ▶ Century Plyboards ▶ Archidply Décor ▶ Associate Décor
MDF	Growing demand for easy-to-install furniture and a rise in green building construction will drive the growth	Lightweight and high-strength MDF products are gaining popularity due to their versatility	<ul style="list-style-type: none"> ▶ Century Plyboards ▶ Greenpanel
Veneer	Increasing demand of veneer for furniture and paneling is expected to drive the growth	Growing preference for decorative veneers due to its durability, smooth finish, and sustainability	<ul style="list-style-type: none"> ▶ Greenlam Industries ▶ Duroply ▶ Durian

Source: Plyreporter, Centuryply, Greenlam annual report and investor presentations, and EY analysis



Growing adoption of green buildings as well as consumer preferences for strength, low maintenance cost, and design are driving innovations in the doors, windows, and hardware market

The growing affordable housing segment is resulting in higher demand for cost-effective and durable solutions while awareness about green buildings and sustainability is causing a shift in material preferences. Product trends include uPVC doors and windows for durability and thermal insulation, energy-efficient glass for improved insulation, aluminum frames for versatility and sleek designs, impact-resistant options for extreme weather, and soundproof solutions for noise reduction.



Architectural hardware include door and cabinet handles, hinges, locks and knobs, door seals, control devices among others

Source: Asahi India Glass, Godrej, Furniture Design India, Material plus and EY analysis



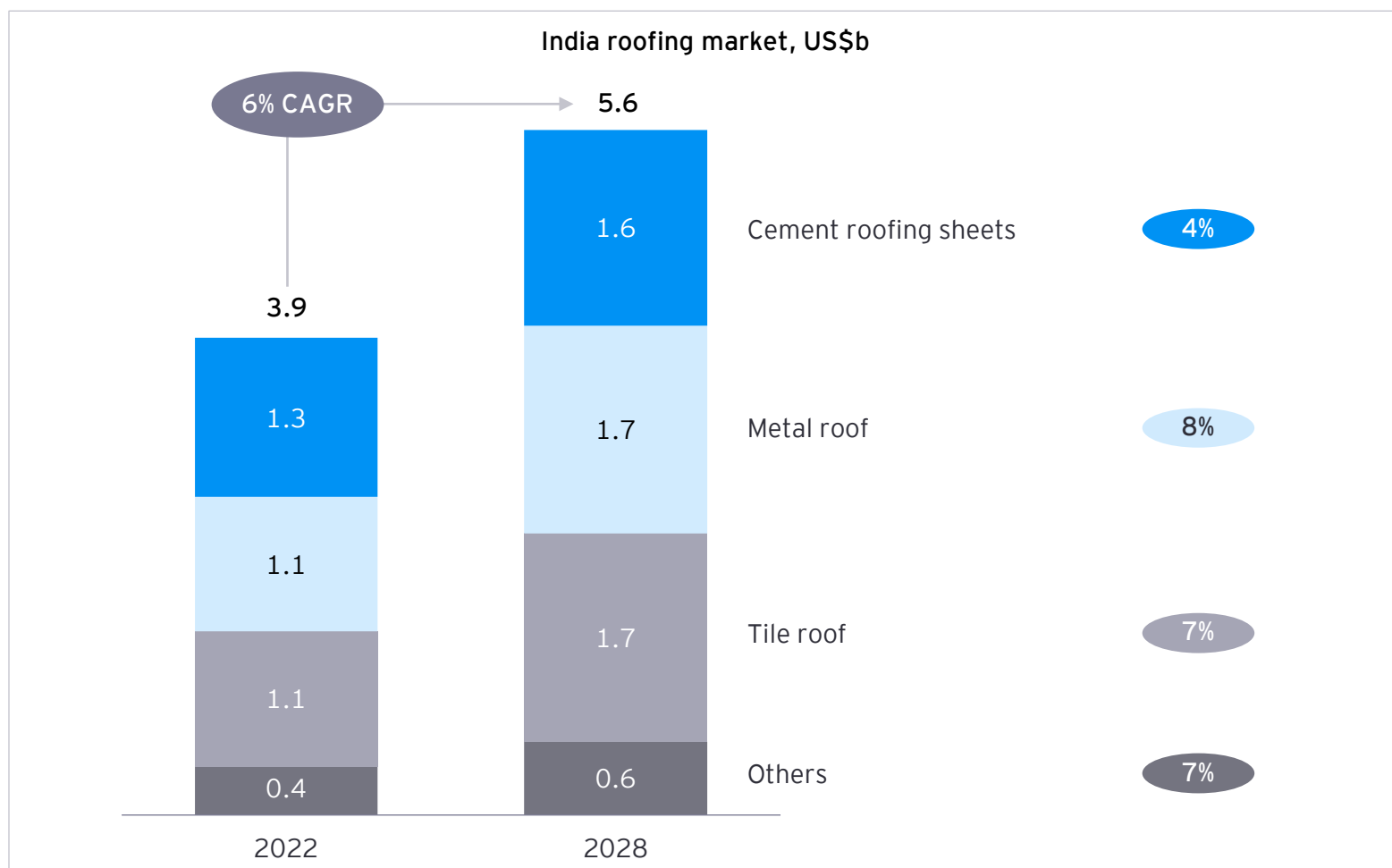
Trends and drivers for doors, windows and hardware segment

 Products	 Growth drivers	 Product trends	 Key players
Doors	Increasing consumer spending, demand for better insulation, and weatherstripping to reduce heat transfer are driving the market	Increasing preference for uPVC and WPC doors due to their strength, insulation, and low maintenance	<ul style="list-style-type: none"> ▶ Tata Pravesh ▶ Fenesta ▶ Centuryply
Architectural hardware	Increasing demand for smart and automated security solutions, upgradation and renovation projects are driving the demand	Minimalist and contemporary designs are gaining popularity in the architectural hardware market	<ul style="list-style-type: none"> ▶ Ozone ▶ Dorma ▶ Godrej ▶ Hettich
Glass	Increasing awareness about high performance glass and demand for light weight materials	Energy efficient glass, safety and security glass, and frameless glass systems are gaining traction	<ul style="list-style-type: none"> ▶ Asahi India ▶ Saint Gobain ▶ Gold Plus Glass
Windows	Increasing demand for energy-efficient and sustainable window systems is driving the growth	Increasing preference for lightweight and versatile window profiles using uPVC is likely to influence the market	<ul style="list-style-type: none"> ▶ Fenesta ▶ Saint Gobain ▶ Schuco



Rise in the adoption of metal roofing to replace asbestos sheets majorly across pre-engineered building solutions and for improved functionality, energy efficiency, and aesthetics are some key trends in the roofing segment

Product trends in the roofing market include the rise of metal roofing, solar roofing systems, cool roofing options, and eco-friendly materials. Additionally, roofing membranes, concrete tiles, asphalt shingles, and innovative designs cater to consumer preferences for aesthetics and functionality. These trends reflect the industry's focus on longevity, energy efficiency, environmental consciousness, and meeting diverse customer needs.



Others include asphalt, plastic and FRP shingles, GI roofing sheets etc.

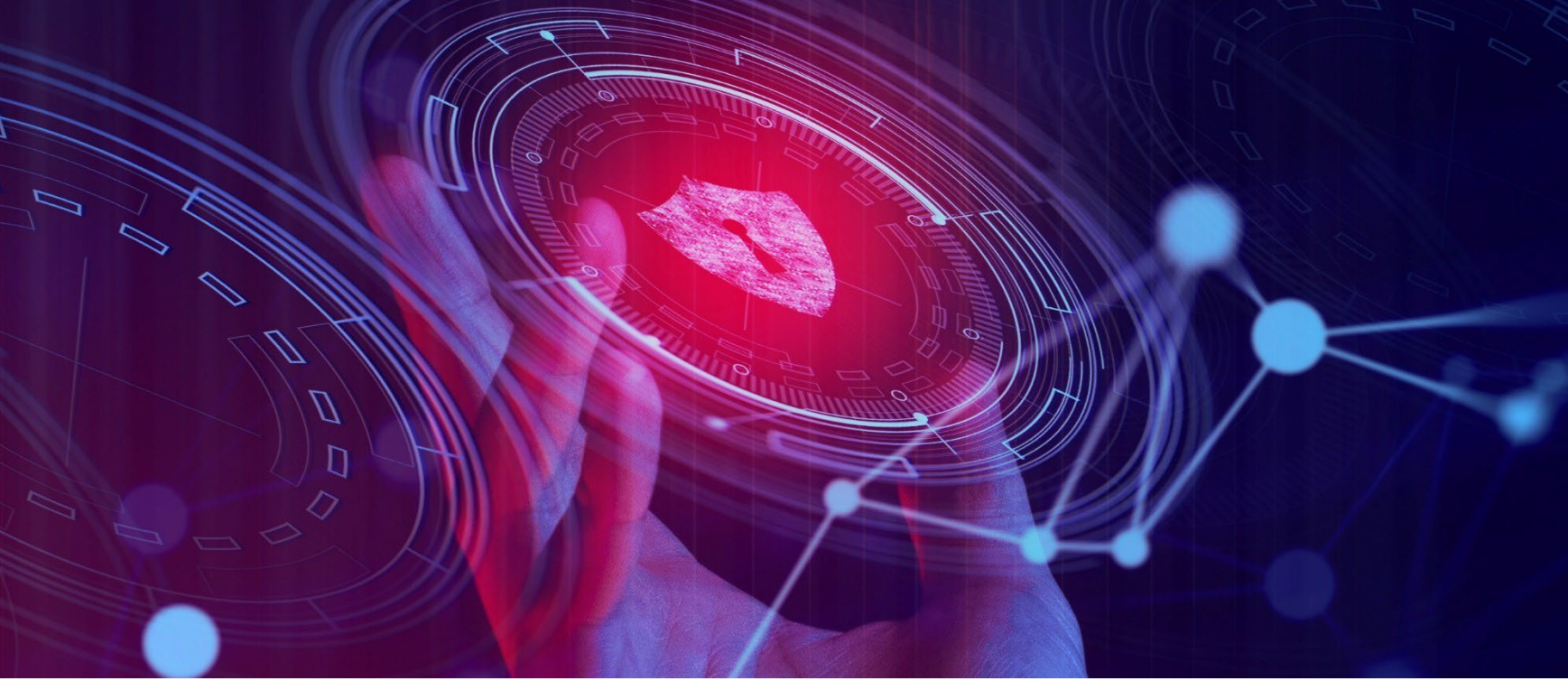
Source: Roof India, EIRI India, Company annual report such as HIL, Bansal roofing products, Everest industries and EY analysis



Trends and drivers for roofing segment

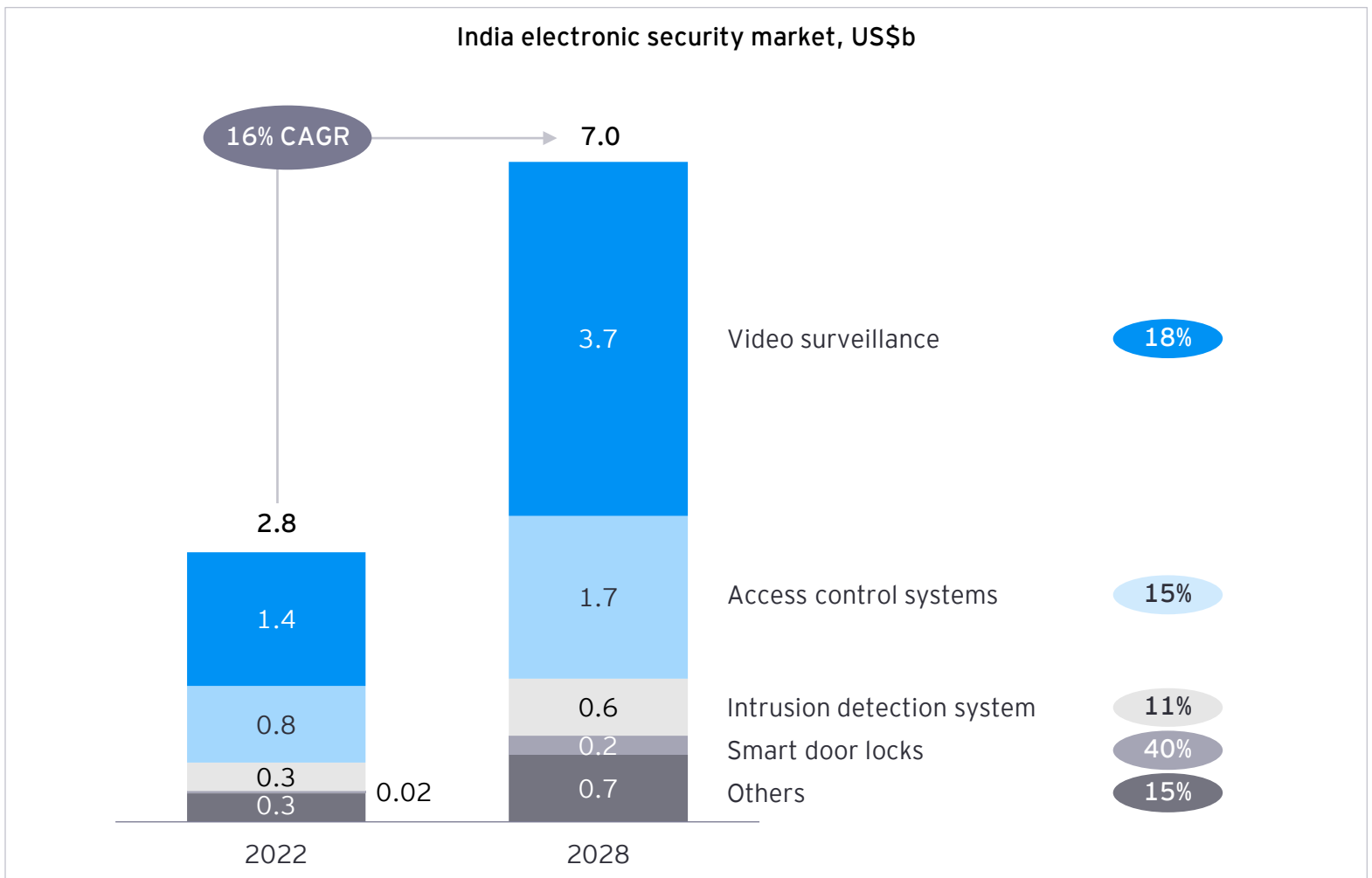
			
Products	Growth drivers	Product trends	Key players
Cement roofing sheets	Major demand from rural areas is for monsoon protection and dry construction	Growing preference for lightweight fiber cement, natural materials, and durable roofing solutions	<ul style="list-style-type: none"> ▶ HIL ▶ Everest Industries ▶ Visaka Industries
Metal roof	Major shift from asbestos sheets to metal-based roofing with opportunity in pre-engineered buildings (PEB)	Color-coated metal roofing and insulated metal roofing are gaining traction in India	<ul style="list-style-type: none"> ▶ Jindal Coloron ▶ Tata Bluescope ▶ Hindalco everlast
Tile roof	Functional requirements such as noise, heat insulation, and water resistance with durability	Preference for lightweight and traditional designs and emergence of photovoltaic or solar roof tiles	<ul style="list-style-type: none"> ▶ Everest ▶ Visaka ▶ HIL

Source: Hindustan times, HIL annual report, Ecopro, Architecture lab, MGS architecture, World construction network and EY analysis



Rising reliance on tech-based solutions for customer security demands are driving the growth for electronic systems in buildings

The growing concerns about safety and protection, coupled with government regulations and advancements in technology, have propelled the demand for electronic security systems. Industries and individuals are investing in surveillance, access control, and alarm systems to address security threats. The market's growth is fueled by the need for enhanced security measures and the availability of more affordable and advanced digital security solutions.



Others include fire protection systems and devices, alarms etc.

Source: Zicom annual report, VAR India, Security world market, International trade administration and EY analysis

Trends and drivers for electronic security segment



Products

Video surveillance



Growth drivers

Growing consumer interest in smart tech-powered home security cameras as a result of affordability



Product trends

Higher adoption of high-definition IP cameras and remote access surveillance systems



Key players

- ▶ CP Plus
- ▶ Honeywell
- ▶ Zicom

Access control systems

Increasing preference for biometrics, cloud, and mobile-based solutions from commercial and government entities

Shift to newer access systems and trend to adopt advanced physical and mobile access control solutions

- ▶ Honeywell
- ▶ Bosch
- ▶ Siemens

Intrusion detection system

Easy access to technology and connectivity with integration of disparate systems

Cloud and AI-based solutions for connectivity and real-time alerts for intrusion detection

- ▶ Honeywell
- ▶ Avon Building Solutions

Smart door locks

Higher adoption of smart security systems and home automation systems for better security

Biometric authentication, smart home integration, and remote access are some key product trends

- ▶ Samsung
- ▶ Godrej
- ▶ Yale

Note: Video surveillance includes CCTV cameras, storage, recorder encoder softwares and services

Access control systems include access cards, biometric access, fingerprint access and other such systems

Intruder detection systems include central monitoring system, motion detection and alarm sensors and remote terminal unit

Source: Engineering mag, Financial express, Businessworld, Finolex cables annual report, Industry outlook and EY analysis



The building products industry is witnessing disruption with the advent of “tech-based distribution platforms” and “one-stop retail shops” which are expected to address the latent needs of industry stakeholders

A significant chunk of the building products industry continues to operate using traditional business models by relying on retail and distribution networks resulting in supply chain gaps between suppliers, contractors, and consumers.



Gaps for consumers

Lack of integrated shopping solutions in a fragmented market

Uncertainty around product availability

Higher presence of unorganized market thus abundant availability of unbranded products

Inconsistent product pricing



Gaps for contractors/resellers

Need multiple sources to procure multiple products

Large MoQs for contractors and resellers

Inconsistent delivery schedules

Poor penetration of digital solutions to cater to unassisted buying

Manufacturers are venturing into new segments and products to catalyze their revenue growth, leveraging their existing capabilities and huge market opportunity

Players in the building products market are faced with challenges such as high competitive intensity, supply chain bottlenecks, and commodity price fluctuation amongst many others. To maximize value creation for their shareholders, they need to harness the full potential of their existing distribution and manufacturing capabilities as well as identify white spaces in the market which will enable them to provide superior solutions to their customers and become champions in the market.

NON-EXHAUSTIVE

		New product portfolio added by manufacturers								
Existing product portfolio of manufacturers	Product categories	Paints and construction chemicals	Electricals	Flooring	Roofing and cladding	Plumbing and sanitary	Doors, windows, and hardware	Wood panel	Electronic home security	Others
	Paints and construction chemicals	Asian Paints (Adhesives)	Asian Paints (Decorative lights)			Asian Paints (Bathroom products)	Asian Paints (uPVC doors and windows)			Asian Paints (Modular kitchen)
	Electricals		Syska LED (Wires and cables, fans) RR Kabel (Fans and lights)	Paint manufacturers are entering electricals, doors/windows, and plumbing/sanitary segments					Anchor (Fire protection) Havells (Digital locks)	Anchor (Panasonic) (Modular kitchen)
	Flooring	Kajaria Somany (Adhesives)		AGL Surfaces (Stone plastic composites)		Kajaria Ceramics (Bathware) Wellspun (Tanks)		Kajaria Ceramics (Wood panel)		H&R Johnson (Modular kitchen)
	Roofing and cladding	CK Birla (HIL) (adhesives, primers)		CK Birla (HIL) (Wood and vinyl flooring)		CK Birla (HIL) (Pipes, water tanks)	Plumbing and sanitaryware players are also expanding new segments to drive growth			Visaka Industries (False ceiling) Ramco Industries (Drywall)
	Plumbing and sanitary	Astral (Adhesives, paints and waterproofing)	Jaquar (Lights)			Prince pipes (Bathware, tanks) Astral (Bathware)	Somany Home Innovation (Hindware) (kitchen sink)			Hafele (Sanitaryware, sinks)
	Doors, windows, and hardware	Saint Gobain India (Sealing, waterproofing)			Saint Gobain India (Roofing solutions)		Saint Gobain India (uPVC window)		Hafele (Digital locks) Godrej (Digital locks)	
	Wood panel			Manufacturers across segments are exploring the plumbing and sanitaryware				Greenply (MDF boards)		
	Electronic home security									
	Others	J K Cement (Paints)		Prism Cement (vitrified tiles)			Saint Gobain Gyproc (Doors and windows)		Vintron (CCTV, video door phones)	

Source: Berger paints, Construction world, Company websites and EY analysis

M&A is a key lever for them not only to strengthen their position in existing markets but also to expand to new markets which can maximize long-term shareholder value

M&A enables organizations in the sector to expand their market presence, access new customer segments, and diversify their product or service offerings. By combining complementary strengths and resources, companies are also unlocking synergies and economies of scale, resulting in increased operational efficiency and cost savings.

Deals in building products

PE Deals

NON-EXHAUSTIVE

Year	Investor/Acquirer	Target	Target sector	Deal value (US\$m)
Jun-23	Warburg Pincus	Watertec India	Plumbing and sanitaryware	330
Jun-23	Nuvama Private Equity	Ozone Overseas	Doors, windows and hardware	31
May-23	Temasek Holdings and others	Atomberg Technologies	Electricals	86
Mar-23	Welspun Corp	Sintex BAPL	Plumbing and sanitaryware	152
Jan-23	J. K. Cement	Acro Paints	Paints and construction chemicals	19
Nov-22	Smiti Holding And Trading Company	Greenlam Industries	Wood panel	25
Oct-22	HIL	Fastbuild blocks	Others (concrete blocks)	8
Aug-22	Motilal Oswal Private Equity	Simpolo Vitrified	Flooring	66
Aug-22	Carlyle Group	Varmora Granito	Flooring	90
May-22	Astral Limited	Gem Paints	Paints and construction chemicals	25
Apr-22	Asian Paints	White Teak	Electricals	39
Mar-22	APL Apollo	Shankara Building Products	B2B e-commerce	24
Mar-22	Kotak Mahindra	Gold Plus Glass	Doors, windows and hardware	79
Jan-22	Hella Infra Market	Shalimar Paints	Paints and construction chemicals	60
Jul-21	Tiger Global Management	Hella Infra Market	B2B e-commerce	125
May-21	Snowcem Paints	Saurashtra Cement	Others (cement)	8
Dec-19	Berger Paints	STP Limited	Paints and construction chemicals	23
Apr-18	Kansai Nerolac	Marpol	Paints and construction chemicals	6
Feb-18	Pidilite Industries	Cipy Polyurethanes	Paints and construction chemicals	15
Dec-17	Asian Paints	Sleek International	Others (modular kitchen)	8
May-17	Berger Paints	Saboo Coatings	Paints and construction chemicals	13
Apr-17	Jaquar Group	Euro Ceramics	Plumbing and sanitaryware	16

Source: Merger market, EY market data and EY analysis

Contacts



Sailesh Rao

Partner, Strategy
EY LLP
sailesh.rao@parthenon.ey.com



Ishank Kataria

Director, Strategy
EY LLP
ishank.kataria@parthenon.ey.com



Kamal Suri

Associate Director, Strategy and
Transactions Research
EY LLP
kamal.suri@in.ey.com



Mahant Mishra

Manager - EYP Strategy
EY LLP
mahant.mishra@parthenon.ey.com



Aditi Lad

Senior Associate
Strategy and Transactions Research
EY LLP
aditi.lad@in.ey.com



Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY-Parthenon

EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their eco-systems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized – helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at Ground Floor, Plot No. 67, Institutional Area, Sector - 44, Gurugram - 122003, Haryana, India

© 2023 Ernst & Young LLP. Published in India.
All Rights Reserved.

ED None
EYIN2311-003

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ey.com/en_in

 @EY_India  EY  YouTube  EY Careers India  @ey_indiacareers